



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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December 18, 2000

CERTIFIED RETURN RECEIPT

Z 228 355 106

Mr. Keith Moeller
Clifton Mining Company
70 West Canyon Crest Road, Suite D
Alpine, Utah 84004

Re: Bonding Issues, Clifton Mining Company, Clifton Millsite, M/045/049, Tooele County, Utah

Dear Mr. Moeller:

On November 22, 2000, we received your letter requesting an extension on our time frame to submit the \$38,000 bond for the Cactus Millsite. We, hopefully, can come to some sort of reasonable solution to your problem. We will address the items as they were presented in your letter.

Item #1, you requested that we **not** increase the bond five years in advance, but rather roll the interest from the CD back into the account as principle, thereby covering inflation and the contingency money. We can honor your request to roll the interest back into the CD; provided you post \$33,700 to cover the base amount and the first year of interest. At the beginning of the second year, the principle would need to be \$34,800, at the beginning of the third year, the principle would need to be \$35,900, at the beginning of the fourth year, the principle would need to be \$37,000, and at the beginning of the fifth year, the principle would need to be the full required amount of \$38,100. At the end of each year, any interest in excess of the required amount could be returned to you. Attached is the Reclamation Surety Estimate which explains the interest escalation over the five year period. At the end of the five year period, the surety would have to be reevaluated and brought forward again to the next five year period.

Item #2, you requested that we roll the \$17,600 Yellowhammer bond and \$10,000 bond from the Clifton exploration project (which you called the Kiewit Zone) into the mill bond. **We are unable to honor this request.** The Yellowhammer bond is only \$16,600 and that surety bond has never been replaced by the new owners, nor has the Yellowhammer project been transferred from American Consolidated Company to a new owner. Therefore, until the transfer has been completed and the new owners replace the reclamation surety bond, we are unable to release American Consolidated from this reclamation surety obligation. Regarding the \$10,000 Kiewit reclamation bond, (which is \$10,500), this is a joint bond which can only be released with concurrence from the BLM. This most likely will not occur until spring, and only then if all the disturbance has been successfully reclaimed. It is our understanding, based on our last inspection, that none of the roads on the Kiewit area had been regraded or seeded.

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This leaves Clifton Mining Company with the following options regarding posting the reclamation surety for the Cactus Mill Project:

1. Submit the full required surety amount of \$38,100.
2. Submit the base dollar amount along with the first year of interest of \$33,700. We will then roll the interest back into the CD for the five year period.
- 3.

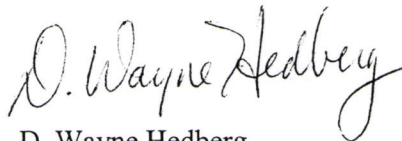
In our September 26, 2000, tentative approval letter, we conditioned the approval on receiving your response to several conditions (copy attached). We requested you respond to these conditions within 60 days (November 27, 2000). To date, we have not received your response. You were advised that we would not publish a formal notice of tentative approval until the remaining conditions were addressed.

We will grant an additional time extension to January 15, 2001, for receipt of your response to the tentative approval conditions. ***Considering the time that has already passed, it is unlikely that additional time extensions will be possible.*** Once we receive and determine the technical adequacy of your response to the conditions, we will be prepared to publish tentative approval which begins the 30-day public comment period. The required reclamation surety should be received on or before the end of the public comment period.

If you fail to respond and provide the required information by the January 15th deadline, we will be forced to pursue formal enforcement actions. Those actions could include, but not be limited to any or all of the following: a Notice of Noncompliance, a Notice of Agency Action (requiring a formal public hearing), cessation of operations, permit revocation, immediate reclamation, fines and/or other appropriate penalties as authorized by state mining laws. We sincerely hope to avoid any of these actions.

Please contact me at (801) 538-5286 or Tom Munson at 538-5321 if you have any questions regarding this letter.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Attachments: 9/26/00 conditions, surety estimate
cc: Mike Ford, BLM, SL FO
Mary Ann Wright, OGM
clifton millsite-ltr

Conditional Tentative Approval

**Clifton Mining Company
Cactus Millsite**

M/045/049

R647-4-106 - Operation Plan

Clifton Mining Company requested that the Division assist in obtaining the soils and vegetation data. It is not possible for us to complete this task given our current work load. We can assist you with laboratory contacts and/or the names of possible consultants to consider, if you desire.

Identification of the area of the 0.83 acres of hydro-seeding will be necessary for the final reclamation contract. Please indicate where this area is located on the reclamation treatments map.

106.5 Existing soil types, location, amount

The plan submitted indicates that much of the native soil material was used in the dikes of the ponds. Please provide an estimate of the volume of soil materials within the dikes. Please provide a laboratory analysis of the this soil material as well as any substitute soil material (e.g. tailings) that will be used in reclamation. Each soil material will need to be analyzed for each parameter on the attached list. (LK)

106.7 Existing vegetation - species and amount

Please submit a vegetation survey that identifies the plant species and the percent of ground cover that exists (or is presumed to have existed) on the area affected by this operation. Since most of the operational area is already disturbed, this survey should be conducted on a representative undisturbed area located adjacent to the mill site. This survey is required to establish the reclamation success standards and to fine tune the revegetation plan. (LK)

Division of Oil, Gas and Mining *Minerals Program*

Baseline Soils and Overburden Requirements

Provide an order 3 soil survey and a soils map which describes and identifies the extent of each soils type within the permit area (it may be possible to obtain this information and map from the Natural Resources Conservation Service, formerly the Soil Conservation Service). The soils map must show the location(s) of any proposed topsoil and overburden (suitable substitute soil materials) stockpiles.

Provide a volume estimate of soil material that can be salvaged and used later for reclamation (please note, even an inch or two of topsoil can greatly improve reclamation success).

A laboratory soil analysis will need to be obtained for each soil type to be disturbed, and for each substitute soil material to be used for reclamation. This analysis is needed to evaluate the suitability of

the soil materials and the need for (and rate of) any soil amendments and/or fertilizers to help ensure revegetation success.

Recommended Laboratory Analyses
for each soil type to be disturbed or proposed substitute soil materials

- | | |
|-----------------------------------|---|
| 1. Texture | 8. Alkalinity |
| 2. pH | 9. Sulfur (acid potential) |
| 3. EC (conductivity) | 10. CaCO_3 |
| 4. SAR | 11. Total nitrogen |
| 5. Saturation Percentage | 12. Nitrate nitrogen |
| 6. Percent Organic Matter | 13. Phosphorus (as P_2O_5) |
| 7. CEC (cation exchange capacity) | 14. Potassium (as K_2O) |

Note: each soil sample needs to be about 1-1/2 quarts in volume
Updated January, 2000

R647-4-113 - Surety

Soil amendment is calculated at 10 tons/acre of composted manure. This amount will be adjusted if, as a result of soil testing, this level of nutrient will not be required. (DJ)

1	RECLAMATION SURETY	TIMATE				
2	Clifton Mining Company		last revision	09/19/00		
3	Cactus Mill		filename M045-049.WB2			
4	M/045/049	Tooele County				
5	Prepared by Utah State Division of Oil, Gas & Mining					
6	-This estimate uses a D8 size dozer for most earthwork					
7						
17			last unit cost update		2-Aug-2000	
18	-Amount of disturbed area which will receive reclamation treatments =			8.9 acres		
19	-Estimated total disturbed area for this mine =			8.9 acres		
20	Activity	Quantity	Units	\$/unit	\$	Note
21	Safety gates, signs, etc. (mtls & installation)	1	sum	200	200	(1)
22						
23	Demolition of buildings & facilities	15000	CF	0.24	3,600	(2)
24	Debris & equipment removal - trucking	22	trips	50	1,100	(3)
25	Debris & equipment removal - dump fees	0	ton	55	0	(4)
26	Debris & equipment removal - loading trucks w/FE loads	24	hours	166	3,984	(5)
27	Demolition & debris removal - general labor	112	hours	15	1,680	(6)
28	Regrading facilities areas (1 ft depth)	1.0	acre	502	502	(7)
29	Demolish buildings with backhoe	24	hours	150	3,600	
34						
35	Ripping entire millsite prior to seeding	7.1	acre	234	1,661	(9)
38						
39	Ripping access roads - dozer	1.8	acre	234	421	(9)
41	Sidecast mtl replacement on steep roads- trackhoe	900	LF	1.09	981	(11)
42	Regrade tailings pond	2.47	acre	411	1,015	(10)
43						
44	Topsoil replacement - dozer	90	CY	0.50	45	(12)
47						
50	Composted manure (10 ton/acre)	8.9	acre	300	2,670	(00)
51	Broadcast seeding	8.1	acre	170	1,377	(00)
53	Hydroseeding	0.8	acre	800	640	(00)
54						
55	General site cleanup & trash removal	6.4	acre	50	320	(00)
56						
57	Equipment mobilization	4	equip	1000	4,000	(00)
58						
59	Reclamation Supervision	5	days	386	1,930	(15)
60			Subtotal		29,727	
61	10% Contingency				2,973	
62			Subtotal		\$32,699	
	Escalate for 1 st year at 3.13% per yr - 2001	1,023			\$33,723	
	Escalate for 2 nd year at 3.13% per yr - 2002	2,079			\$34,778	
	Escalate for 3 rd year at 3.13% per yr - 2003	3,168			\$35,867	
	Escalate for 4 th year at 3.13% per yr - 2004	4,290			\$36,990	
63	Escalate for 5 years at 3.13% per yr - 2005	5,448			\$38,147	
64			Total		\$38,147	
65			Rounded surety amount in yr 2005-\$		\$38,100	
66	Average cost per disturbed acre =		\$4,281			